

**STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

Management Consultants International, Inc.

Enforcement Case No. 06-4015

Raymond V. Michael

Matthews Consultants

J. Lamar Matthews

Respondents

*Issued and entered
on April 17, 2006
by Linda A. Watters
Commissioner*

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Services of the Michigan Department of Labor and Economic Growth, pursuant to the Michigan Administrative Procedures Act of 1969, MCL 24.201 *et. seq.*, (“MAPA”) and the Michigan Uniform Securities Act, as amended, MCL 451.501 *et. seq.*, (“Act”), and the rules promulgated under the Act, say that:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The staff of the Office of Financial and Insurance Services (“OFIS”) alleges that the following facts are true and correct:

1. At all pertinent times, Management Consultants International, Inc., (“MCIC”) was a corporation organized under the laws of the State of Michigan since 1998 (Corporate ID # 539071), and is located at 30800 Telegraph Road, Suite 1850, Bingham Farms, Michigan 48025.
2. MCIC is not a registered broker-dealer in the State of Michigan.

3. At all pertinent times, Raymond V. Michael ("Michael") was the President of MCIC and from on or about September 2003 to the Present was the resident agent of MCIC and is located at 30800 Telegraph Road, Suite 1850, Bingham Farms, Michigan 48025.
4. Michael is not a registered securities agent in the State of Michigan.
5. At all pertinent times, Matthews Consultants was an investment-consulting firm in the State of Michigan and is located at 22214 Camille, Woodhaven, Michigan 48183.
6. Matthews Consultant is not a registered broker-dealer in the State of Michigan.
7. At all pertinent times, J. Lamar Matthews ("Matthews") was an agent for Matthews Consultants, and an agent of MCIC, and is located at 22214 Camille, Woodhaven, Michigan 48183.
8. Matthews is not a registered securities agent in the State of Michigan.
9. From on or about May 2002 to November 2004, MCIC, Michael, Matthews Consultants, and Matthews ("Respondents") sold over \$2 million in investment contracts to approximately 70 investors alleging that they were selling Energy Invoice Factoring Programs ("EIFP").
10. The EIFP's sold by Respondents were alleged to be accounts receivables of EnerCom, Inc. and and/or other vendors. However, EnerCom, Energy Directions, Inc., and Respondents were not involved in factoring accounts receivables, instead Respondents were selling their right to receive payment under their contract with EnerCom.
11. Respondents knew or had reason to know that Section 101(1) of the Act, MCL 451.501(1), makes it unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to employ any devise, scheme, or artifice to defraud.
12. Respondents further knew or had reason to know that Section 101(2) of the Act, MCL 451.501(2), makes it unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to make any untrue statement of a material fact or omit any material fact or to otherwise commit fraud.
13. Respondents further knew or had reason to know that Section 101(3) the Act, MCL 451.501(3), makes it unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to engage in any act, practice, or course of business, which operates as a fraud or deceit upon a person.
14. Respondents further knew or had reason to know that Section 201(a) of the Act, MCL 451.601, prohibits a person from transacting business as a securities broker-dealer or agent unless that person is registered in the State of Michigan.

15. Respondents further knew or had reason to know that Section 301 of the Act, MCL 451.701, makes it unlawful for a person to offer or sell any security in the State of Michigan unless it is: 1) registered under the Act, 2) an exempt securities transaction under Section 402 of the Act, or 3) is a federally covered security.
16. Respondents further knew or had reason to know that Section 401(z) of the Act, MCL 451.801(z) defines a “security” which includes an investment contract.
17. Based on the Respondents’ failing to provide investors with material information, their fraudulent and deceitful behavior, their failure to register as securities broker-dealers or agents, and their offer and sale of unregistered securities, Respondents have violated Sections 101, 201, and 301 of the Act.

WHEREAS, Section 101 of the Act, MCL 451.501 of the Act provides it is unlawful to employ any device, scheme, or artifice to defraud; make untrue statement of material fact or omit to state a material fact; or engage in any act, practice or course of business which operates as a fraud or deceit upon a person; and

WHEREAS, Respondents Michael, as President of MCIC and Matthews, as an agent of Matthews Consultants and an agent of MCIC, offered and sold unregistered securities, i.e., investment contracts; and

WHEREAS, an investment contract is a security as defined in Section 401(z) of the Act, MCL 451.801(z); and

WHEREAS, Respondents Michael and Matthews offered and sold the securities without the furnishing of a complete offering document or prospectus; and

WHEREAS, the offering document or prospectus given to prospective purchasers by Respondents Michael and Matthews failed to disclose any of MCIC’s financial statements; and

WHEREAS, the offering document or prospectus given to prospective purchasers by Respondents Michael and Matthews failed to disclose material risk factors, such as the use of proceeds and MCIC’s officers and directors and their related experience; and

WHEREAS, the offering document or prospectus given to prospective purchasers by Respondents Michael and Matthews failed to disclose to investors the fact they were not actually investing in energy accounts receivable, but in possible future revenues to be derived from EnerCom, Inc.; and

WHEREAS, Respondents Michael and Matthews continued to offer investments in the energy invoice program even though MCIC was insolvent and that “factoring expenses” i.e., interest payments to “Factor” investors exceeded total income; and

WHEREAS, investors involved in the Factoring Program were being paid interest and/or principal mostly from new investor funds flowing into MCIC. Therefore, the Factoring Program operated as a Ponzi scheme; and

WHEREAS, Respondents conduct as a described above violates Section 101 of the Act, MCL 451.501; and

WHEREAS, Section 201 of the Act, MCL 451.601 of the Act provides that a person shall not transact business in Michigan as a broker-dealer or an agent unless registered under the Act; and

WHEREAS, Respondents, MCIC, (through its President, Raymond V. Michael and Matthews Consultants (through its agent J. Lamar Matthews), were engaged in the business of effecting transactions in securities in Michigan through its energy Factoring Program without being registered; and

WHEREAS, Respondent Michael, as President of MCIC, is not registered as a securities agents; and

WHEREAS, Respondent Matthews, acting as an agent for MCIC is not registered as a securities agents; and

WHEREAS, Respondent MCIC is not a registered broker-dealer in the State of Michigan; and

WHEREAS, Respondent Matthews Consultants is not a registered broker-dealer in the State of Michigan; and

WHEREAS, Respondents transacted business in the State of Michigan as a broker-dealer and/or a security agent without being registered under Section 201(a) of the Act, MCL 451.601(a); and

WHEREAS, Section 301 of the Act, MCL 451.701 of the Act provides that it is unlawful for any person to offer or sell any security in Michigan unless the security is: registered under the Act, the security or transaction is exempt under Section 402 of the Act, MCL 451.802, or the security is a federally covered security; and

WHEREAS, the above referenced investment contracts offered and sold by the Respondents do not meet any of the requirement listed in Section 301 of the Act, MCL 451. 701; and

WHEREAS, Respondents offered and sold unregistered securities in the State of Michigan in violation of Section 301 of the Act, MCL 451.701; and

WHEREAS, Respondents have violated Section 101, 201, and 301 of the Act, MCL 451.501, 451.601, and 451.701; and

WHEREAS, based on the foregoing, OFIS Staff recommends that the Commissioner find that Respondent is engaged in acts and practices that violate Section 101, 201, and 301 of the Act, MCL 451.501, 451.601, and 451.701, and Rule promulgated under the Act; and

WHEREAS, the Office of Financial and Insurance Services finds this Order necessary and appropriate in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act; and

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808 and Section 409 of the Act, MCL 451.809, that:

1. The Respondents shall immediately **CEASE AND DESIST** from violating Section 101, 201, and 301 of the Act, MCL 451.501, 451.601, and 451.701.
2. Failure to comply with this ORDER will subject you to one or more of the following:
 - (a) A civil penalty of not more than \$1,000 for each violation of this Act, but not to exceed a total of \$10,000.
 - (b) A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.


You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.

If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.

It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.

Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Services, Attention: William R. Peattie, P.O. Box 30220, Lansing, Michigan 48909.

MICHIGAN DEPARTMENT OF
LABOR & ECONOMIC GROWTH

A handwritten signature in black ink that reads "Linda A. Watters" followed by a horizontal line.

By:

Linda A. Watters, Commissioner
Office of Financial and Insurance Services